

Message Text

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51

ACTION AID-59

INFO OCT-01 AF-10 ISO-00 EB-11 IGA-02 L-03 IO-14 SCI-06

CIAE-00 INR-10 NSAE-00 RSC-01 SP-03 SS-20 OMB-01

TRSE-00 EA-11 DRC-01 /153 W
----- 040302

R 240836Z APR 74

FM AMEMBASSY MOGADISCIO

TO SECSTATE WASHDC 1819

INFO AMEMBASSY NAIROBI

USUN NY 339

C O N F I D E N T I A L MOGADISCIO 0584

NAIROBI FOR REDSO

E.O. 11652: GDS

TAGS: PFOR EGEN SO EAID

SUBJ: MOGADISCIO WATER LOAN; MOHAMED ADEN'S SUGGESTION OF
LOAN FORGIVENESS

REF: A. USUN 1385; B. MOGADISCIO 0547; C. MOGADISCIO 0488;
D. MOGADISCIO 1739 OF NOV, 1973

1. WE DO NOT HAVE STRONG RATIONALE FOR ACCEDING TO SOMALI SECRETARY MOHAMED ADEN'S REQUEST (REF A) THAT U.S. FORGIVE OR STRETCH OUT PAYMENTS ON MOGADISCIO WATER LOAN.

2. WHILE ADEN'S STATEMENT IS CORRECT THAT WATER RATES IN MOGADISCIO ARE CONSIDERABLY HIGHER THAN THEY WERE PREVIOUSLY, PUBLIC RECEPTIVITY OF THE NEW WATER SERVICE HAS BEEN OVERWHELMINGLY FAVORABLE AND THE PROBLEM THAT THE WATER AGENCY FACES IS TO SATISFY THE DEMAND FOR THE SERVICE (INSTALLING ADDITIONAL SERVICE CONNECTIONS AND METERS TO THE NEW MAINS). HIS REFERENCE TO CHINESE-FINANCED WATER PROJECTS IN SOMALIA IS ALSO SOMEWHAT ERRONEOUS. SO FAR AS WE KNOW, THE CHINESE HAVE ACTUALLY INSTALLED MUNICIPAL WATER SYSTEM IN ONLY ONE
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SOMALI CITY, HARGEISA. BELIEVE THIS WAS FINANCED UNDER USUAL

CHINESE AID TERMS OF INTEREST-FREE LOAN. HAVE NO DETAILS ON CURRENT WATER RATES IN HARGEISA, BUT WOULD BE VERY SURPRISED IF THEY ARE PROVIDED GRATIS.

3. TERMS OF USAID LOAN ARE VERY SOFT. (GSDR PAYMENTS TO USG ARE ONLY ONE PERCENT INTEREST PAYMENT FOR FIRST TEN YEARS, INCREASING TO TWO AND ONE-HALF PERCENT INTEREST PLUS PRINCIPAL REPAYMENT DURING SUBSEQUENT FORTY YEARS.) THUS, FINANCIAL BURDEN TO SOMALIA WOULD BE ONLY ABOUT \$80,000 PER ANNUM FOR THE NEXT EIGHT YEARS.

4. CASE CAN BE MADE ALONG LINES ADEN'S ARGUMENT THAT U.S. WOULD DEMONSTRATE ITS WILLINGNESS ASSIST GSDR BY MAKING POLITICAL GESTURE TO DEFER PAYMENTS ON LOAN. HOWEVER, WE BELIEVE THAT MOGADISCIO WATER LOAN IS A GOOD ECONOMIC PROJECT, AND THAT POLITICAL GESTURE WOULD BE MORE APPROPRIATE AND DESIRABLE VIA ACTION TO FORGIVE A PORTION OF ONE OF THE EARLIER SOMALI LOANS (649-H-001) WHICH HAS BEEN THE SUBJECT OF LITIGATION IN U.S. COURTS AND WHERE THE PROJECT WAS NOT A GOOD ONE (SEE MOGADISCIO 1739 OF NOV 1973). ALTHOUGH DEPARTMENT AND REDSO ARE AWARE THAT WATER AGENCY HAS FOUND IT DIFFICULT TO MAKE INTERNAL PAYMENTS REQUIRED UNDER THE CONTRACT TO THE MINISTRY OF FINANCE, WE HAVE HAD NO INDICATION FROM GSDR OFFICIALS THAT SOMALIS WERE PLANNING TO MODIFY EXISTING MOGADISCIO WATER RATES, OR TO SEEK FORGIVENESS OR STRETCH OUT OF REPAYMENT TERMS TO USG. IN THIS CONNECTION, MOHAMED ADEN MADE NO MENTION OF MOGADISCIO WATER IN HIS CONVERSATION WITH AMBASSADOR KIRK ON APRIL 6 (MOGADISCIO 488).

5. IN MEANTIME, BELIEVE BEST APPROACH IS TRY TO GET EARLY APPROVAL FOR A RELEASE OF UNCOMMITTED LOAN FUNDS FOR PAYMENT OF WATER AGENCY SERVICE CONNECTION COSTS (MOGADISCIO 547).
KIRK

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WATER SUPPLY SYSTEM, COSTS, LITIGATION, FOREIGN RELATIONS, DEBT REPAYMENTS, COMMUNIST ECONOMIC AID, INTEREST RATES, LOAN DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 24 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MOGADI00584
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740096-0648
From: MOGADISCIO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740418/aaaaappi.tel
Line Count: 93
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AID
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. USUN 1385; B. MOGADISCIO 0547; C.
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 08 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 JUL 2002 by rowelle0>; APPROVED <26 MAR 2003 by BoyleJA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MOGADISCIO WATER LOAN; MOHAMED ADEN'S SUGGESTION OF LOAN FORGIVENESS
TAGS: PFOR, EGEN, EAID, SO, US, (MOHAMED ADEN)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005